

BONDS AND CLIMATE CHANGE

THE STATE OF THE MARKET

FRANCE OVERVIEW



2016 Global Key Takeaways

- The climate-aligned bond universe amounts to \$694bn outstanding and is made up of:
 - labelled green bonds (\$118bn outstanding, 17% of total) and
 - unlabelled climate-aligned bonds (\$576bn outs., 83% of total)
- The RMB is the dominant currency (with 35% of the total amount outstanding), followed by the US dollar (24%) and the Euro (16%).
- Low-carbon transport is the largest sector (67%; \$464bn outs.) followed by renewable energy (19%; \$130bn outs.). The remaining 14% are drawn from Building & Industry, Agriculture & Forestry, Waste & Pollution, Water and Multi-Sector.
- The climate-aligned bond universe is made up largely of investment grade rated bonds (AAA to BBB-) making up 78% of bonds outstanding, while high yield and unrated bonds make up the remaining 22%.
- 60% of climate-aligned bonds outstanding were issued by a government-backed entity, including French State rail company SNCF.

This report identifies two categories of bonds that finance low carbon and climate resilient assets:

Labelled green bonds are those for which 100% of the proceeds of the bond sale are earmarked for green/climate projects or assets. These bonds are labelled as such by the issuer and therefore easier to locate.

Climate-aligned bonds support projects that are aligned with climate mitigation or adaptation objectives, but are not labelled as such. The climate-aligned bonds discovered and analysed for this report are issued by pure-play companies which derive at least 95% of their revenue from activities/assets that fit within the Climate Bonds taxonomy.

France has the 3rd largest climate-aligned bond universe

French climate-aligned bonds' use of proceeds are mainly dedicated to transport

Waste & Pollution Control

1%

Buildings & Industry

6%

Multisector

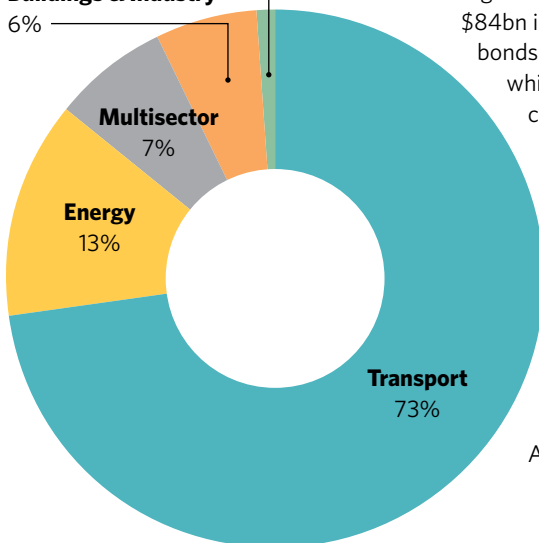
7%

Energy

13%

Transport

73%



France is the 3rd largest country in the climate-aligned universe, representing 9% of the total outstanding amount with nearly \$64bn; and the largest European climate-aligned bond market, just in front of the UK. Since early 2005, French-registered entities have issued more than \$84bn in labelled and unlabelled green bonds. Issuance is dominated by SNCF, which accounts for 69% of the French climate-aligned outstanding bond market, but also includes issuers across a range of other sectors.

The use of proceeds of French climate-aligned bonds are predominantly allocated to sustainable transport solutions. Our research found no bonds linked to Water Adaptation or the Agriculture & Forestry sectors.



Transport \$46.6bn
Largest issuer: SNCF (\$43.9bn)



Energy \$8.6bn
Largest issuer: Engie (\$3.4bn)



Multisector \$4.6bn
Largest issuer: Île-de-France (\$1.3bn)



Buildings & Industry \$3.7bn
Largest issuer: Unibail-Rodamco (\$1.5bn)



Waste & Pollution Control \$523m
Sole issuer: Paprec

All amounts are outstanding

Labelled green bond issuance in France: an update since July publication

France is the 2nd largest country of issuance for labelled green bonds (\$15.8bn outstanding), and the largest in Europe

France has been a pioneer in the green bond market and the source of many firsts, including the first municipal green bond (2012). It's the second largest country of issuance globally¹.

Since the first French green bond from Île-de-France in March 2012, over 60 bonds have been issued. The largest green bond issuer is Engie (\$3.4bn issued to date).

French corporate entities are the most common type of green bond issuers.

Corporate issuers made up nearly 60% of labelled green bonds issued in France. 23% are from banks, 10% from municipalities, and 8% from development banks.

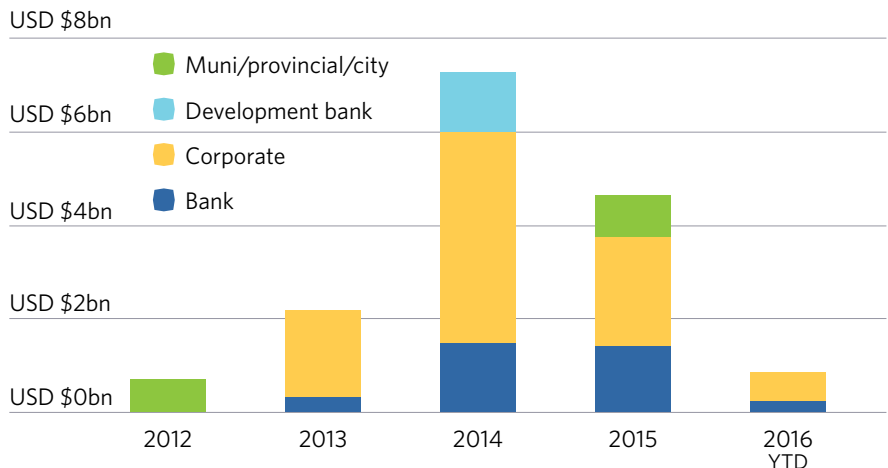
French issuers have demonstrated best practice in the use of external reviews

with 91% of bonds (by amount issued) receiving an external review. This is in comparison with the global green bond market where approximately 65% of bonds have received reviews. 74% of the labelled French green bonds (by amount issued) were reviewed by Vigeo; 9% by Cicero and 8% by Sustainalytics.

The French climate-aligned bond universe: Quick facts

- 65% of bonds issued have a tenor of 10 years +
- 58% of issuance is larger than \$1bn
- 97% of bonds are investment grade (AA being the most common)
- 82% of issuance is EUR-denominated
- Largest sub-sovereign: Île-de-France (\$1.8bn)
- Sole development bank: Agence Française de Développement (\$1.3bn)
- Largest issuer bank on own account: Crédit Agricole CIB (\$1.1bn)

Corporates are the largest labelled green bond issuers in France, followed by banks



The future of the French green bond market

The graph above shows that French green bond issuance slowed in 2015 and 2016. While the reasons for this are unknown, recent announcements show that issuance may pick up again due to two key developments.

First, the French government adopted the "Energy Transition for Green Growth" law in July 2015, which provides a strong policy context broadly supportive of channelling funds to low carbon infrastructure. The law builds on objectives for GHG emissions reduction, energy efficiency and the diversification of energy supply through decreased reliance on nuclear and fossil fuels and an accelerated deployment of renewable energy.

Importantly for investors, Article 173 has introduced asset owner disclosure requirements on the management of their climate risks - such reporting will include disclosure from investors in green assets, including green bonds.

Second, the French government recently announced that it will be issuing the world's first sovereign green bonds in early 2017. It will issue an estimated EUR3bn per year over three years from 2017. We expect these two developments to keep France at the forefront of the green bond market's development worldwide.

¹. Note that these figures do not include Sustainability Bonds

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